

DOCKET SECTION

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

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OFFICE OF THE ATTORNEY GENERAL

POSTAL RATE AND FEE CHANGES, 1997

Docket No. R97-1

INITIAL BRIEF OF
GREETING CARD ASSOCIATION

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Dated: April 1, 1998

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INTRODUCTION AND STATEMENT OF POSITION

The Greeting Card Association ("GCA") submits this brief in support of the proposition that the Postal Rate Commission ("Commission") should give greater recognition to the educational, cultural, scientific and informational criterion of § 3622(b)(8) for single-piece First-Class letters and greeting cards. The Commission should give equal weight to all of the non-cost factors, including § 3622(b)(8), in setting rates. The testimony of Dr. Ken C. Erickson provides new evidentiary support therefore in setting rates and fees. Dr. Erickson's testimony also relates to Section 101(a) which directs the Commission to consider the importance of the mail in binding the Nation together, and to Section 403 which directs the Postal Service to provide adequate and efficient postal services at fair and reasonable rates, and to provide types of mail service to meet the needs of different categories of mail and mail users.

The Greeting Card Association is a Washington, D.C.-based trade association, the members of which market approximately ninety (90%) percent of the greeting cards in the United States. In 1997, more than 7 billion greeting cards were purchased by American consumers. Approximately two-thirds of these cards were sent by First-Class single-piece mail and generated an estimated \$1.3 to \$1.6 billion in annual revenue for the Postal Service.

The Greeting Card Association represents the interests of its members and also the interests of more than ninety-five (95%) percent of American households which mail greeting cards. Greeting cards comprise approximately fifty (50%) percent of the household-to-household First-Class mail. Therefore, the Greeting Card Association has a vested interest in the affairs of the Postal Service generally and, in this rate case, particularly.

ARGUMENT

A. The Postal Reorganization Act Requires That The Commission Consider Economic and Non-Economic Factors in Setting Postal Rates.

In developing and recommending a rate proposal, the Postal Service has as its statutory mission "to bind the Nation together through the personal, educational, literary, and business correspondence of the people" by providing "prompt, reliable, and efficient service to patrons in all areas." 39 U.S.C. § 101(a). Under this overarching policy consideration, the development of postal rates involves the application of the statutory criteria set forth in § 3622(b) of the Postal Reorganization Act ("Act"). The Commission must recommend rates and fees that will generate sufficient revenues so that total income will recover all costs, both attributable and non-attributable. The Commission allocates responsibility for recovering non-attributable costs among mail users through the application of non-specific statutory criteria and the above-referenced public policy guidelines set out in the Act. While subsection (b)(3) criterion is largely accounted for by the attribution process, the other non-cost criteria must be applied through a process of balancing *all* of these competing factors. The Commission has done this in past rate cases. The Act does not give primacy to any single factor but requires that each be given equal weight. Direct Marketing Association v. U.S. Postal Service, 778 F.2d 96, 104 (2nd Cir. 1985) Among the relative factors is the educational, cultural, scientific and informational value ("ECSI") to the recipient of the mail in each subclass. 39 U.S.C. §

3622(b)(8).¹

In Docket No. R94-1, the Commission stated that “it considers the lack of alternatives available to users of the monopoly First-Class letter subclass, and the higher ECSI value of First-Class letters as important reasons for seeking to minimize the difference” in institutional-cost responsibility between First-Class and third-class mail. Opinion and Recommended Decision, Docket No. R94-1, ¶ 4037. The Commission further said that “[t]his factor [ECSI] has been interpreted to benefit second class and special rate fourth class mail. . . . [W]e recognize [] that this factor could have broader application” Opinion and Recommended Decision, Docket No. R87-1, ¶ 4100. In this proceeding, USPS witness O’Hara testified that the Postal Service does not mean to depart from what the Commission stated in Docket R87-1 with regard to the ECSI value of First-Class mail. (Tr. 2/214;419)

The rate proposal submitted by the Postal Service gives little, if any, weight to § 3622(b)(8) and the non-economic criteria. No effort has been made to determine the value of First-Class mail, and in particular greeting cards, to recipients.² The Postal Service has turned a blind eye to the “special status” accorded to personal correspondence from individuals that 39 U.S.C. § 101 guarantees. Instead, the focus of the Postal Service and other intervenors has been on mailer economics and on pure market factors.

¹ The most relevant of those factors are the relative value of service of these subclasses to both sender and recipient [(b)(2)], the impact of rate increases on users and others [(b)(4)], the alternatives available to the users of each subclass [(b)(5)], fairness particularly to the users of the monopoly classes [(b)(1)], and the educational, cultural, scientific and informational value to the recipient of the mail in each subclass [(b)(8)].

² The Postal Service did not submit any rebuttal to Dr. Erickson’s testimony and the survey

The Postal Service acknowledges devoting substantial efforts to providing the Commission with what it believes are improved economic tools for postal ratemaking, that is, newly-developed incremental costs and an elaborate presentation on Ramsey pricing. While paying lip service to the fact that such economic tools do not obviate the need for careful consideration of all the statutory factors, the Postal Service has ignored or minimized the non-cost factors and has focused on a demand-rationing approach which reflects economic concepts, which form only a part of the complex set of criteria Congress established for postal rates. USPS witness O'Hara claims to present a balanced application of all the factors; however, he endorses the theory of Ramsey pricing as a norm. USPS witness Bernstein presents an alternative pricing structure in which only Ramsey pricing principles are controlling. "Cultural value" to the recipient is subsumed by "economic value", even though Ramsey pricing as presented by the Postal Service does not consider recipients and is ill-equipped to deal with value that cannot be expressed in dollars and cents. Ramsey pricing does not recognize the non-economic value of First-Class personal letters and greeting cards to recipients.

B.

**GCA Witness Erickson's Testimony
Demonstrates the High "ECSI" Value to
Recipients of Greeting Cards Sent Through
the Mail.**

The testimony of GCA witness Dr. Ken C. Erickson addresses the "cultural" non-cost factor and places the term "culture" in its proper context. The survey, which he undertook, demonstrates the high cultural value that greeting cards sent through the mail have to their recipients.

presented in this proceeding.

Dr. Erickson first makes the important distinction between cultural value and economic value. He points out that not everything with cultural value has economic value. (Tr. 25/13163) The economic definition tends to make "value" depend upon scarcity, that is, the less there is of some economic good the higher the value of each unit of that good. "Culture" does not depend upon scarcity. A national symbol may have great value to a society, yet be widely available, widely distributed and even freely given. (Tr. 25/13167-68) "Culture" includes both so-called rational economic choices people make, based on dollars and cents, and cultural choices that people make based on cultural values which cannot be expressed in dollars and cents. (Tr. 25/13164)

As an anthropologist, Dr. Erickson then explains that "culture" includes meanings, learning, values, music, ritual, manners, taste, religion, art and relationships. (Tr. 25/13164) The shared values of a people and their communication among people are part of what makes up "culture". In his prior research, Dr. Erickson found that greeting cards have a cultural life of their own that is linked to American cultural values, that greeting cards play a role in the celebration of American family rituals, and that greeting cards facilitate special kinds of communication beyond the "me to you" communication. (Tr. 25/13172)

Greeting cards provide a window into American relationships, and relationships are a key part of what American culture is about. (Tr. 25/13173) Greeting cards are part of American cultural rituals that occur on a regular schedule throughout the year. (Tr. 25/13177) They flow among American families and individuals at these ritual times. Dr. Erickson notes that American cultural traditions, both religious and secular, are marked by the receipt of greeting cards and that, from an anthropological standpoint, ritual and

religion are closely tied to culture. (Tr. 25/13178)

To learn more about the connections between greeting cards and American culture and its people, Dr. Erickson developed a national survey which sought to obtain a range of views about the cultural significance of greeting cards from a representative sample of American men and women from diverse ethnic and income backgrounds. (Tr. 25/13182-85) The survey was conducted by Elrick & Lavidge, a well-known survey firm, which polled 400 individuals selected by theoretical sampling. The survey sought to discover the extent to which respondents would agree or disagree with thirteen statements that reflected on greeting cards' cultural significance. The conclusion from the survey results is that greeting cards sent and received through the mail have a high degree of cultural value and importance to Americans.³

Seventy-two (72%) percent of those surveyed agree with the statement that "greeting cards that come in the mail help me celebrate holidays and special occasions." Dr. Erickson notes that holidays and celebrations are part of what most people view as American culture; Thanksgiving, Hanukah, Christmas, Mother's Day and Valentine's Day often include the exchange of greeting cards. (Tr. 25/13188) But even more cultural importance is placed on greeting cards that, when received in the mail, told a recipient that he or she was being thought of when ill. (Tr. 25/13189) Seventy-seven (77%) percent agree with the statement that "greeting cards that come in the mail help me know that others are thinking of me in a time of illness." (Tr. 25/13186) The significance of greeting cards increases with the age of the respondent and decreases with income. (Tr.

³ Dr. Erickson testified that based upon prior research, the sender of a greeting card gets that "cultural value" as much as the recipient does. The sender invests the care of purchasing a greeting card with cultural significance and cultural meaning. Consequently, senders of greeting

25/131889) A similar result occurs when respondents are asked whether "greeting cards that come in the mail help me know that others are thinking of me in a time of mourning."

Seventy-seven (77%) percent agree with this statement. (Tr. 25/13190) In a similar vein, sixty (60%) percent of the sample agree that "greeting cards that come in the mail help me maintain family traditions."

Dr. Erickson testified that religion and rituals are connected with culture and the expression of cultural values. In the survey sample, few disagree or strongly disagree with the proposition that greeting cards that come in the mail help them celebrate religious holidays and traditions. (Tr. 25/13193) As to traditions, sixty-eight (68%) percent expect a Mother's Day card received in the mail to be displayed by their mother. Sixty-seven (67%) percent say that they display a birthday card received in the mail. (Tr. 25/13186; 13194) Dr. Erickson observes that the display of greeting cards offers strong support to their cultural significance in that it points to shared elements of American culture. (Tr. 25/13194)

Of all the questions asked, the one most culturally specific deals with humor. Dr. Erickson notes that laughter at a joke comes when two people share enough cultural background to understand the meaning. In the survey, everyone agrees, more or less, that greeting cards that come in the mail help them share a laugh with people to whom the card is shown. (Tr. 25/13192)

The survey reveals interesting demographic differences. For low-income persons, greeting cards are a highly salient means of cultural expression. They are especially valued during some of the most important moments in American life: illness, death and

cards also participate in the exchange in a non-economic and cultural way. (Tr. 25/13252-53)

growing older. Older Americans show a similar pattern. This is supported by independent research which shows older Americans gain positive emotional support from greeting cards. (Tr. 25/13196) African-Americans attach more importance to most greeting cards at all levels than do other groups.

In summary, the survey demonstrates that greeting cards have a high degree of cultural value to recipients. The survey, with a ninety-five (95%) confidence level, shows that a substantial majority of respondents value greeting cards highly. Despite demographic differences, there is a consensus among all groups of Americans surveyed that greeting cards received in the mail play an important cultural role. The survey also shows the importance of greeting cards for binding the Nation together in the public display of artistic and textual messages about key life events: death, illness and seasonal celebrations. (Tr. 25/13197-98) When Americans are asked about what greeting cards do for them, they respond that greeting cards are especially important in times of illness and mourning. (Tr. 25/13198-99) A greeting card possesses something that is not contained in other pieces of mail such as a seed catalogue or advertising mail. (Tr. 25/13253) Greeting cards carry with them more symbolic weight of greater interpersonal importance than other kinds of mail, with the possible exception being a letter personally written by the sender. (Tr. 25/13256) Therefore, a greeting card generally may have greater cultural value than other types of mail. (Tr. 25/13254)

C.

**GCA Witness Erickson's Testimony Has
Implications For Setting First-Class Rates.**

The survey results have implications for postal ratemaking policy. Greeting cards are significant elements in American material and symbolic culture. Postal ratemaking

policy that considers the impact of First-Class rate increases upon American culture should recognize the ways in which greeting cards connect with cultural values. Any action that the Postal Service takes that reduces the ability of Americans to engage in greeting card exchange will have a negative impact on individual and group participation in cultural belief and values. Fewer greeting cards received would mean fewer moments of participation in shared culture. Any such reduction in greeting card use would measurably lessen the feeling of community. (Tr. 25/13196-97) Such consideration must also take into account the ways in which American ethnic groups and income groups show variation in the cultural significance of greeting cards. Greeting cards appear to be even more culturally salient for African-Americans, and for low and middle-income Americans. Changes in postal rates that affect the mailing of greeting cards, therefore, may impact lower and middle-income persons and African-Americans more than the population as a whole. (Tr. 25/13199)

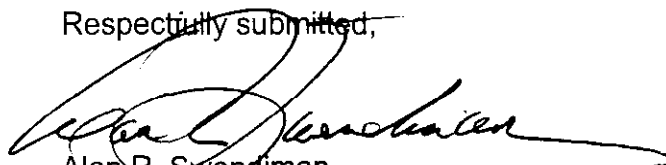
CONCLUSION

Dr. Erickson's testimony demonstrates the cultural value of greeting cards as an important component of First-Class mail. The survey results provide new evidence that greeting cards sent through the mail have a high degree of ECSI value to recipients, and help bind the Nation together under Section 101(a) by linking Americans in a shared culture through an artistic and textual medium. The testimony and survey results fill an evidentiary gap which existed in previous rate proceedings. Section 3622(b)(8) requires that the Commission take ECSI into account in setting rates for First-Class mail. Although the Commission has viewed ECSI largely in connection with periodicals and books, the

statutory language is not limited to that category of mail or to a narrow definition of culture. In this light, Section 403 directs the Postal Service to provide adequate and efficient postal services at fair and reasonable rates, and to meet the needs of different mail users.

The Postal Service's proposal places a disproportionate emphasis on economic factors. The Act requires the Commission to give full recognition and equal weight to all pricing factors. The Commission should continue its traditional practice of doing so. The Greeting Card Association, on behalf of its member organizations as well as the general public, urges the Commission to give more weight to the "cultural value" of First-Class mail and greeting cards to recipients and to § 3622(b)(8) in setting First-Class postal rates in this case.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Alan R. Swendiman", written over the typed name.

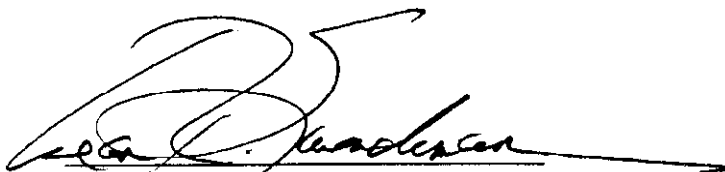
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April 1, 1998

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all participants of record in this proceeding on this date in accordance with § 12 of the Rules of Practice and Procedure.

A handwritten signature in black ink, appearing to read "Alan R. Swendiman", with a long horizontal flourish extending to the right.

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